



Minnesota

Benefits From Exports

Minnesota's export sales of merchandise in 2000 totaled \$17.5 billion, up 22 percent from 1999 and 76 percent higher than the 1993 total of \$10.0 billion. In 2000, Minnesota posted the 12th largest export total among the 50 states.

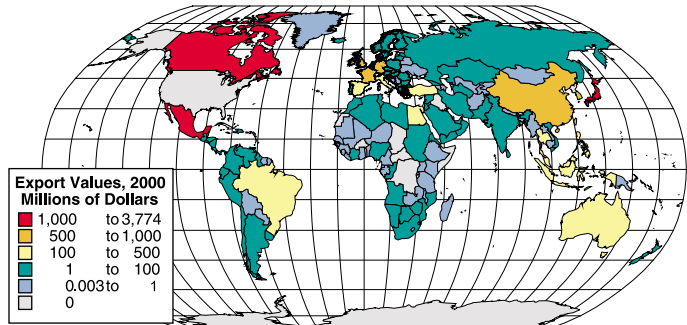
On a per capita basis, Minnesota registered 2000 export sales of \$3,565 for every person residing in the state. This was the eighth largest per capita export total of any state.

Minnesota exports globally to 185 foreign destinations. Buoyed by the North American Free Trade Agreement, two of the state's top three markets are NAFTA countries. Canada is Minnesota's biggest market (22 percent of 2000 exports), followed by Japan (7.8 percent), and Mexico (7.4 percent). Other leading markets include the Netherlands, the United Kingdom, Germany, Singapore, and South Korea.

Minnesota's biggest growth markets, in dollar terms, are Canada and Mexico. From 1997 to 2000, export sales to Canada grew from \$3.2 billion to \$3.8 billion, while exports to Mexico rose from \$823 million to \$1.3 billion, a jump of 57 percent. Other important growth markets are Singapore, China, South Korea, Japan, and Malaysia.

MINNESOTA EXPORTED GOODS WORTH \$17.5 BILLION TO 185 FOREIGN MARKETS IN 2000

Dollar Value of Minnesota's Merchandise Exports to Foreign Markets, 2000

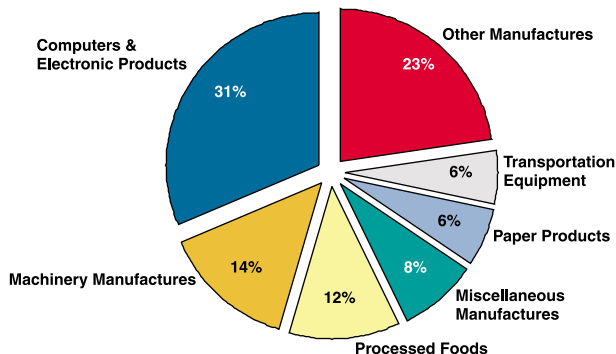


Source: U.S. Department of Commerce, Exporter Location Series.

Four broad manufactured product groups account for nearly half of Minnesota's exports. The biggest export category by far is computers and electronic products, which alone accounted for nearly 23 percent of total 2000 exports. The other three leading categories are industrial machinery, processed foods, and miscellaneous manufactures.

Minneapolis-St. Paul recorded 1999 export sales of \$12.4 billion, the eighth largest total among the 253 U.S. metro areas for which statistics are available. Other Minnesota metro areas that posted export sales of more than \$100 million were La Crosse, Rochester, and Fargo-Moorhead.

MINNESOTA EXPORTS A WIDE RANGE OF MANUFACTURES: \$12.7 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by goods exports range 13–18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Minnesota depended on manufactured exports for some 156,100 jobs. Export-supported jobs accounted for an estimated 7.0 percent of Minnesota's total private sector employment.

Manufactured exports supported about 66,200 jobs—more than one out of every six jobs—in Minnesota’s manufacturing sectors. Nearly two-thirds of these jobs were found in three product categories—computers and electronic products, fabricated metal products, and machinery manufactures.

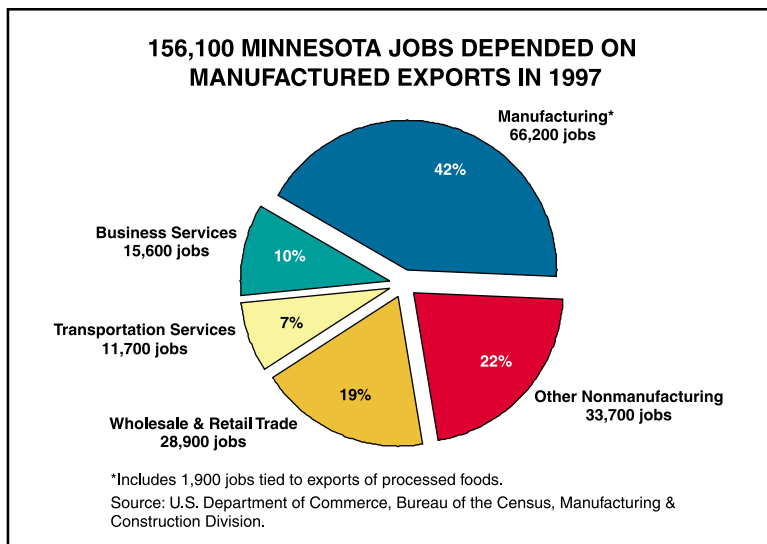
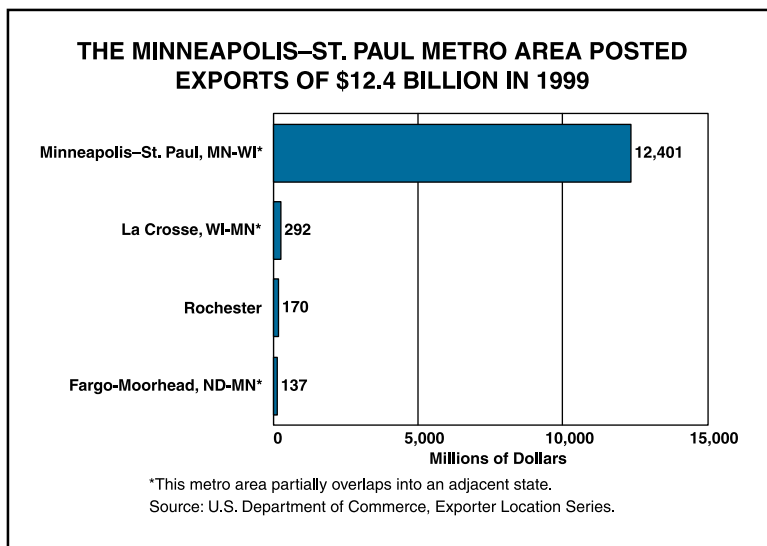
Exports of manufactured goods also indirectly supported 89,900 jobs in Minnesota’s nonmanufacturing sectors. These industries supply manufacturers with a wide variety of inputs needed to produce goods for export.

Exports Help Small Business

Exports have broadly benefited Minnesota businesses—both large and small. A total of 5,739 companies exported from Minnesota locations in 1998. About 84 percent of these companies, accounting for roughly 27 percent of the state’s total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, nearly 71 percent of all Minnesota exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free



TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or “fast track”) is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

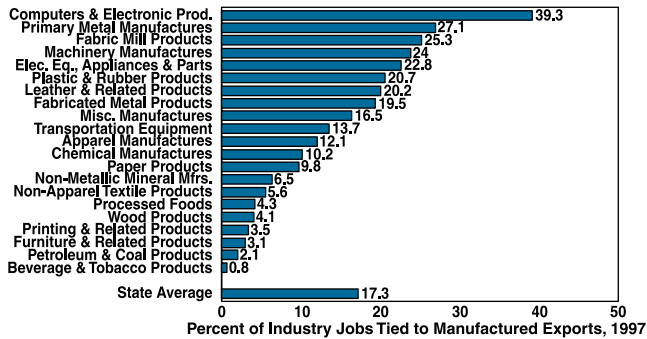
TPA preserves the ability of the United States to protect public health, safety, and the environment.

trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

Minnesota Industries Can Gain From Trade Negotiations

Minnesota’s exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Minnesota’s businesses across many industrial sectors.

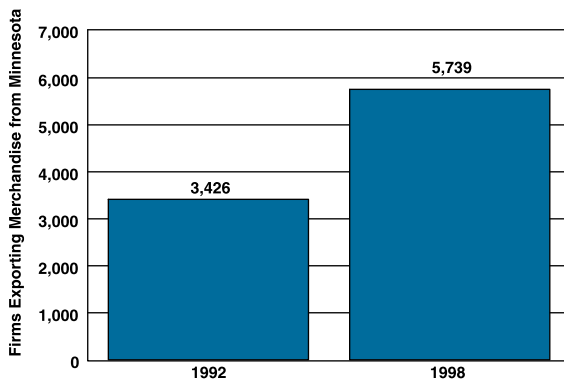
MORE THAN ONE-SIXTH OF MANUFACTURING JOBS IN MINNESOTA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 17.3 percent of the 382,500 manufacturing jobs in Minnesota were tied to manufactured exports—some 66,200 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM MINNESOTA ROSE 68 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

Information technology. Minnesota is the home of many high-tech companies and benefits from the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Minnesota, would likely see sales rise if remaining barriers on IT products were eliminated.

Medical equipment. While Minnesota exporters of medical equipment enjoy zero tariffs in several key markets as a result of the Uruguay Round, many developing countries continue to maintain high tariffs. The MERCOSUR nations of Latin America impose tariffs as high as 20 percent, while India and the

ASEAN countries have rates as high as 40 percent. The industry also faces nontariff barriers in major Latin American and Asian markets in the form of redundant and costly registration and certification requirements. As a result, the industry is seeking adoption of international standards to improve the transparency of government procedures for product certification and approval.

Scientific equipment. The United States is the world's largest exporter of scientific equipment. Minnesota's exporters of these products would benefit from market opening initiatives, particularly tariff reductions that could result from a new World Trade Organization round. Tariffs on scientific equipment in many Latin American countries range from 4 percent to 25 percent, while those in some East Asian countries approach 40 percent. In addition to tariffs, exporters of scientific equipment also face nontariff restrictions such as cumbersome customs clearance and certification requirements.

Chemicals. Minnesota exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing

countries, most of which do not participate in the CTHA, have become increasingly important chemi

MINNESOTA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Minnesota goods and services.

Minnesota exporters still face major trade barriers in such sectors as information technology, medical equipment, scientific equipment, and chemicals.

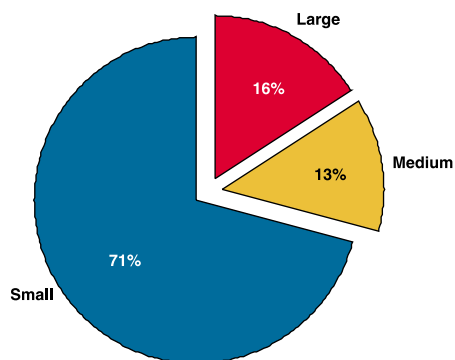
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Minnesota's economy is export-dependent, with export sales of \$3,565 for every state resident.

More than 156,000 Minnesota jobs depend on exports of manufactured goods.

5,739 companies—including 4,827 small and medium-sized businesses—export from Minnesota.

84 PERCENT OF MINNESOTA'S 5,739 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

cal producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry, including discriminatory product registration, testing/certification, and import licensing requirements.

Agriculture. Minnesota is a major producer and exporter of agricultural products. According to the U.S. Department of Agriculture, Minnesota's farm cash receipts totaled \$7.1 billion in 1999, and it was the seventh largest agricultural exporter, with exports of \$2.2 billion. Since 1991, the state's reliance on agricultural exports has ranged from 24 percent to 34 percent as measured by export's share of farm cash receipts. Minnesota's top agricultural exports are feed grains and products, soybeans and products, vegetables and products, live animals and red meats, and feeds and fodders. Minnesota already benefits from past trade agreements. Under the Uruguay Round, South Korea is reducing its tariffs on soybean oil by 14.5 percent from 1995 to 2004, and the Philippines is reducing its tariffs on soybean meal from 10 to 3 percent. Japan reduced tariffs on sunflower and corn oil by 50 percent from 1995 to 2000. Under NAFTA, Mexico converted its import licensing system for corn to a transitional tariff-rate quota; the Philippines converted its import ban on corn to tariffs as part of its Uruguay Round commitments. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

Services. Services are the biggest component of the U.S. economy and now account

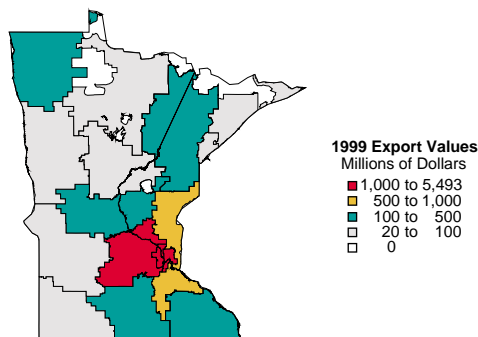
for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to Minnesota

While exports generate clear benefits for the Minnesota economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Minnesota, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Minnesota with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER MINNESOTA

Minnesota's Merchandise Exports by Three-Digit Zip Code, 1999



Note: Minnesota's total merchandise exports in 1999 were \$14.4 billion. Due to federal disclosure regulations, shading of zip codes 553 & 555 refers to combined exports from these areas. Unshaded areas represent national forests and parks, federal and military reservations, localities without exports, and areas where export data are suppressed due to federal disclosure regulations.
Source: U.S. Department of Commerce, Exporter Location Series.